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NEWS RELEASE

Friday, April 22nd, 1966.

FOR IMMEDIATE PUBLICATION.

Enclosed please find a copy of the address which Assistant Professor Harold Shaffer, Director of the School of Retailing of Sir George Williams University, gave to a dinner meeting of the Advertising and Sales Club of Kingston.

From the Office of: Trefflé Lacombe,
Assistant to the Principal.

THERE'LL ALWAYS BE THE SMALL RETAILER

I want to thank the Advertising and Sales Club of Kingston for giving me the opportunity of discussing with you this evening the serious problem of whether the independent retailer will be able to survive in tomorrow's retail world. I have a particularly warm feeling towards Advertising and Sales Clubs because wherever I go, I find the local Club to consist of a group of very alert and forward-looking men, who are not only trying to increase their own knowledge of important business trends, but are working equally hard to give this knowledge to the community at large. I hope, Mr. Chairman, that you and your Club will continue this most important and invaluable work.

Anyone who studies the history of a society is struck by the way the people in that society keep changing their sense of values. For example, not too long ago, Canadians thought it desirable for people to show their age. White hair, slow gait, a wrinkled face were sought after for they were respected by our society. For this reason, as Canadians grew older, they made no attempt to hide their age. In fact, they sometimes accentuated it, because to be old was considered an accomplishment much to be desired.

Today, old age is no longer desirable. We live in an era when society worships at the altar of youth. Thus, any citizen who is visibly old, is in constant danger of being institutionalized and so divorced from his loved ones and society in general. To avoid this disaster, older people today undergo very expensive and sometimes extremely painful techniques in their attempts to keep themselves unnaturally young.

Whistler's Mother has disappeared as today's symbol of motherhood and has been replaced by a teenager. When I ran an ad for Mother's Day back in the forties, the cut I used to represent the ideal mother could easily be a friend of Whistler's Mother. Today, the ideal mother tries to look like a contemporary of my adolescent daughter. I am afraid that if Whistler's Mother and her friends were alive today, they would have a very difficult time indeed shopping around for the wardrobes they feel would be right for their age.

Retailers, too, like Canadians at large, keep changing their sense of values. For example, today's retailer equates success with continued expansion. Therefore he thinks that the only happy merchant is the one who grows bigger and bigger. Yet not too long ago, most merchants were content to remain small, providing their stores permitted them to earn a comfortable living and allowed them to spend time with their families and to take part in communal and social activities. They did not envy the big retailer who was forced to work so hard at maintaining his position that he had no time for his family, friends or community and social activities. "Let him be big," said the small retailer in those days "it only means that he has bigger and bigger worries and takes bigger and bigger risks. And it all ends up with his being the biggest retailer in the cemetery. I'll remain small enough to earn a good living and to live a full and happy life."

I believe the concept of remaining a small but happy merchant is as valid today as it ever was. But to exist as a small retailer today requires much more knowledge about the proper way to run a store than a

small merchant needed some years ago. Fortunately, it's easy for a small retailer to learn and apply this knowledge because it involves a number of simple concepts, which I would like to discuss with you this evening.

The first is the fact that Canada, because of its geographical and economic structure, must retain the small retailer as part of its marketing structure for years to come. We do not realize the number of independent retailers and the amount of business they transact in Canada, because most of them cannot dramatize their existence by a steady barrage of ads and gimmicks that form so integral a part of chain and department stores' promotional programs. So, small stores make little impact on public consciousness.

Secondly, department and chain stores are contained in large physical areas which are usually located where they can be seen and remembered by the greatest number of people. But because of its small size, the independent store is passed by without making much of an impression.

Yet in any city, there are very few department stores, a hundred or so chain units to thousands of small independent shops; while in our towns and villages, department and chain store units are few and far between. All these areas are serviced by a great number of small independent retailers.

The 1961 Census lists 152,620 stores, of which 130,414, or over 85%, are grouped under the heading of "working proprietors". In Kingston, in 1961, the Census reported 488 stores, of which 350, or 71%, were operated by working proprietors.

Now, when all the business these small stores do in Canada is added up, it becomes a very large figure. For example, in 1930, independents in Canada rang up 69.2% of the total business in the Country, and by 1956, this had increased to 72.8%. Then it began to drop and by 1963, it was down to 70.3% and in 1964, it fell again to 69.9%. This percentage can still go lower, or it can begin to rise again. What happens to the independent's share of the retail market depends entirely on the ability of the small retailer to learn how to fight the department stores and chains. But no matter what the share of the independent will be in Canada, it will remain a large percentage for years to come.

"Well," you smaller independents might say "it's nice to know that independents like myself will continue to do a large percentage of the business in Canada. But I know that in Kingston, on my street, certainly in my shop, business is not only lousy but getting worse. Yet people are still buying merchandise so they must be going to chains, department stores or mail order houses. They certainly are not coming to me."

If this is true, and you really are losing more customers than you think you should, does the fault lie with your large competitors or with yourself? It's easy to blame the big fellows. You can always complain, "How can a small merchant like myself operate against chain stores? Just look at their prices! They can sometimes sell cheaper at retail than I can buy wholesale." or "How can a small man advertise or promote like a chain?" and so on.

Is this all there is to independent and chain store competition, or are you using an easy way out? History is full of little fellows

who successfully overcame their powerful enemies.

For example, Sir Francis Drake never thought of running away from the Spanish Armada because it represented the greatest tonnage of sea power the world had seen up to that time. Instead, he and his captains finished their game of bowls and then finished the Armada.

He was able to do this because he used his head instead of his feet.

In fact, Drake defeated the Armada even before it left Spain because by then his spies had discovered the Spaniards' strengths and weaknesses. Drake then planned how he would pit his own navy's main strengths against his enemies' major weaknesses.

This is why he ordered his captains to sail their small swift ships as close as possible to the huge Spanish Galleons before they began to fire. He knew that at this short distance the large Spanish ships were helpless for they were unable to train their cannons low enough to hit the British.

Nor could the Spaniards manoeuvre their slow moving, bulky men-of-war quickly enough to sail to distances that would permit their huge guns to blast the British out of the water.

We all know the results of this encounter.

The Bible tells us about a different approach when it says, "David smote Goliath from afar". More recently, we all remember the R.A.F. defeated the Luftwaffe in the Battle of Britain.

None of these smaller and weaker fighters threw up their hands in dismay because their opponents were too strong or too powerful. Instead, they planned their attacks so that their enemy's strengths became

fatal liabilities instead of overwhelming assets.

So don't be frightened by retail giants but, like Drake and David, examine their weaknesses and strengths and see how you, as an independent, can plan to turn both weaknesses and strengths to your advantage.

The chains' major weakness is their lack of good human relations, and this lies right in the path of the small stores' greatest strength, for in no business is human relations more necessary than in retailing.

It is almost axiomatic that the more a chain expands, the more difficult it becomes for head office executives to have their orders carried out correctly by store employees, or for important information gathered at the store level to travel correctly up to head office.

Chains use a great many methods to overcome these deficiencies, but they can never achieve the face-to-face relationship of the small independent who tells his clerks what he wants done and then sees that it is done; or of sales people who let the boss know what their customers are thinking.

The inability of chains to obtain good internal human relations is compounded in the customer area. The personnel at head office is so preoccupied running the chain by cold figures that they find little opportunity to personally contact either store employees or the chain's clientele. Few chains or department store chains, for example, make it obligatory for their buyers to go on the floor and see what is happening to the merchandise they bought.

The store managers, too, have little time for customers, as they spend most of their working day and a great deal of their energy filling in reports and dealing with other routine matters.

Nor do the sales people in chains wax enthusiastic about customers. The larger and more extended the store units, the more clerks tend to think of themselves as very small cogs in a very large machine.

Besides, most chain store sales people regard customers as a nuisance. Customers take up time that could be better spent in counting, sorting and dusting stock or, even worse, they interfere with those hard-earned moments that all clerks set aside to gossip or sit quietly and reflectively chewing gum.

As a result, the personnel of most chain stores are notorious for their indifference to the stores' customers. Recently, some chains have become very conscious of this lack of customer relations and they are now spending huge sums of money to inform the public how friendly, smiling and warm their personnel really are. But unless they operate under totally different principles than they are now doing, these chains will continue to fail at the store level where human relations count most.

How different the shop of an independent can be if the owner cares enough to make it so! He can personally impress on his staff the importance they play in the success of his store and the value of good customer relationships.

In fact, the more the boss stays on the floor himself, greets customers by name and small talk before turning them over to the sales clerk, the better his customers will like his shop. And the more he watches and even participates in each sale, the more people will enjoy

shopping in his store. I have yet to meet the person who does not like to be called by his name or questioned about his own and his family's health. These are very warm and human gestures in an all too cold world.

Nor will your staff resent your contributing to a successful sale or to a post-mortem over a lost one - providing it is done on a helpful basis and not in the sarcastic tones I have all too often heard small store proprietors use under these circumstances.

In other words, the small store, unlike the chain, can treat their staff and their customers like human beings. Did you ever ask yourself why you keep going to the same barber, coffee shop and newsstand, or why you would like to change them and go somewhere else. If you examine the reasons for your feelings, you will find that they are mainly the personal interest the proprietors of these places display towards you that affects your desire to patronize or leave them.

As chains grow in size, alterations in policies and even small routines become increasingly more complicated and expensive. So most chains tend to suffer from both inertia and inflexibility. This means they only meet consumer or economic changes after a harmful time-lag.

Now if the independent is anything, he is flexible. He can come into his store at any time, including Saturday, re-arrange his windows, move his stock, mark his goods up or down and introduce new credit or any other policy at a moment's notice. The tragedy of most independents is that they seldom use this business flexibility. Instead, they wait until the big fellows move. By then all the advantage they could have had over the chains is lost.

Coupled with the chains' inherent inflexibility is the fact that as they expand their fixed overhead costs grow larger as well. Consequently, they are much more vulnerable to reverses in customer trends and economic conditions then the small independent who, when necessary, can miss his trip to Florida, use his car another year or even smoke 15¢ instead of 25¢ cigars and hang on until conditions become brighter again.

Another important handicap under which chains operate is their inability to handle any merchandise except that which is highly standardized, mass-produced and sold in great quantities. Even when chains diversify as most of them are now doing, they still adhere to staple low-priced, small profit and high turnover items that require little or no service or selling skills.

What a weakness for a small store to exploit! For it leaves the independent with huge areas where his only competition could come from department stores or the other small stores. Never a chain.

Time does not permit me to discuss any other chain weaknesses like their inability or unwillingness to give customer services, that are inherent in all of these organizations, and which a small store can turn to his advantage. My purpose is merely to point out that any fears you might have entertained that chains can take away business from the small merchant are groundless. In fact, the independent should welcome chain and department store competition for they create increased traffic, which can be turned into customers for the small store. The best location in Toronto is the Reitman store between Eaton's, Woolworth's and Simpson's.

Let us now take another short look at history and see whether we are able to discover something else we can use to build up the small stores' competitive strength. We know that when the British first fought the Indians and the French in Canada, they conducted their campaigns in the same way they did in other parts of the world. They wore brilliant red coats and marched through the forest in tight formations to the beat of massed bands. As far as the French and Indians were concerned, the British were as defenceless as sitting ducks and they remained helpless until they decided to adopt the Indian method of fighting and adapt it to their previous military knowledge and discipline.

This principle of adopting a method of operations from an outside source and then adapting it to a particular situation is the way most successful businesses are conducted today.

If the small retailer could adopt some of the strong points of the chain store and then adapt them to fit his own pattern, he should have the best of all possible operations.

What are some of the chain store strengths that small stores can adopt and the adapt?

One great chain strength lies in their ability to plan and control every facet of their organization. Early in their history, chains realized the fallacy of operating by the seat of the pants method and they began to develop procedures that would tell their executives as quickly and as precisely as possible what was taking place in their store units.

Today, by using both their past and present records, head office executives plan all their future operations.

For example, when chain store buyers go to the market they have very definite ideas of what to buy, how much to buy and from whom to buy. Moreover, from the constant flow of information coming from their stores, they are able to tell which items they have bought are runners and which are lemons, what price lines are selling, and so on. With this knowledge they can readjust their plan and make whatever changes they deem necessary.

But plans without discipline are useless. So chains insist that their personnel exercise sufficient self-control to make their plans work.

Every independent should adopt the chains' operating techniques because once he knows what has happened and what is happening in his store, he can plan his business properly. But he must also learn to discipline himself or his plans will not work out. The small retailer should no longer say, "I think I'll try a dozen or two." or ask Miss Jones, "How are we doing with that $19.95 dress?" His open-to-buy should tell him whether he can order one or two dozen or none at all, while his records should show him how the $19.95's are really selling. How he adapts these operating techniques to his particular business is a very individual matter, but it should result in his store being run, not by emotion as most small store owners are doing today, but with knowledge. Today, this kind of merchandise control by electronic data processing is possible for every merchant with a minimum volume of $200,000.

Sometimes I question whether the small merchant is afraid of the chains because they are bigger than he is or because they operate more efficiently than he does. For example, is it not true that as long

as all the stores in a small town operate inefficiently, every retailer makes a living at the customers' expense? But as soon as an efficient organization moves into that town, the old-time retailers begin to lose their clientele and the more inefficient of them go out of business.

Last year I visited a very small merchant who does a fantastic volume in a store about 80' x 20'. One reason for his success is that since 1914 he knows the style, color, size, price, vendor and movement of every article in his store, which in the course of a year may add up to a million or so items. With this knowledge he is able to buy and plan promotions six, twelve or even eighteen months ahead.

It would take a very unusual set of circumstances to upset this retailer's calculations. Certainly, changes in business conditions and customer demands have never been a surprise to him for he has always been flexible enough to plan and take advantage of every customer and economic trend.

Here is one independent who is successful because he has consciously combined the advantages of his small store with the strengths of a large operation.

Chains, department store and other independents mean nothing to this merchant

The location principle that chains apply in selecting unit store sites is one that small stores should adopt and then adapt to their own operations. Because chains sell convenience goods and must do a large volume of business, they always seek to locate where it is easiest

for most of their customers to reach them.

The small independent should adopt this convenience to customer principle, but in adapting it to his own particular needs, he should be aware that he can move into areas chains cannot consider. The small merchant does not require the large clientele that a chain must have, so he can operate in new, stable, or even declining areas that still contain sufficient customer potential for his purpose. In this way he can eliminate chain store competition entirely.

Chains are also aware that locations are constantly shifting and that sites that are good today will most likely be only fair a few years from now and very poor 20 years from today. They are continually closing down stores which customers no longer patronize in sufficient numbers and opening new ones in locations where the chain feels a greater number of people want to shop.

The small store owner, too, should be conscious of his customer flow, and be flexible enough to either move with his customers or, if this is impossible, to decide to change his merchandise policies so that they suit his new clientele. Many a small merchant has gone out of business because he became stubborn and said, "My customers can damn well come to me or else." The "or else" in this case equalled bankruptcy.

Another area that small stores should adopt and adapt is the chains' merchandising techniques. Chains have learned the futility of trying to please everybody, so they specialize both in the kinds of goods they carry and in the kind of people they want to attract. Then each chain creates a chain personality so unique that everyone knows the merchandise that it carries. That's why shoppers don't go to Woolworth's

for a fur coat or to Reitman's for a Dior gown.

What about your store? Have you a definite merchandise policy and is it geared to serve only a segment of Kingston, or are you trying to please everybody and so are pleasing nobody. What are you doing to make your store personality unique so that everyone in town will know exactly what merchandise you carry, your price range, your services and everything else that your business seeks to do.

The sooner you adopt the chain stores' principle of specializing and adapt it to your business, the better merchant you will become. For what is true of specialization in medicine, law and scientific fields is equally true in retailing. The more you learn about your specialty, the more the people in Kingston will recognize you as an authority and come to you for advice when they require the merchandise they know you carry.

The most obvious strength of chains lies in their enormous resources that permit them to operate on a scale that is impossible for a small retailer. Chains can employ high-salaried people to do nothing else but specialize in a single function like buying, selling, advertising, display or control. In your business you do all these things and much more besides.

Again, chains can buy at quantity prices, create their own styles, develop their own labels and control the quality of the merchandise in their stores.

Moreover, because chain units are spread over a wide area, buyers at head office usually know their runners and lemons ahead of the small retailer. This gives the chain store buyer sufficient time to have

runners in their stores before the height of the season and to keep them coming in as long as the demand lasts.

No doubt many of you have spotted a runner early in the season too. You ordered what you thought you could use and then sat arount and chewed your nails until the best part of the season was over before the merchandise came in. This happens because the manufacturer must wait until he has accumulated sufficient orders from other small merchants to make a cut of your styles profitable for him.

Chains have little trouble in this regard. They can order quantities that are large enough for a cut to go into production at once.

Again, chain store buyers are always in the market. That's all they do all day long every day of the week. So it is not surprising that their stores sometimes carry merchandise that you have never seen or never even knew existed.

There are many other advantages that are inherent to chains because of their huge resources. The question is can the independent adopt this chain strength and adapt it to his own small store? The answer surprisingly enough is yes.

All it requires is for independents to group together. Then collectively, they represent as much potential as any chain. In some fields like drugs, groceries, and hardware, independents have already succeeded beyond all expectations. These groups merchandise and operate like chains, yet each store is able to take advantage of all the strengths that are his because basically he remains a small merchant.

You will notice that all these groups carry staple merchandise. Is it possible then for independents in the fashion field to conduct

group activities? Of course. In fact, there are at present many soft goods groups in the United States who merchandise like chains and still keep their independence at the store level.

I hope these examples are sufficient to demonstrate the importance of the independent adopting the strengths of his larger competitors and then adapting them to his own small store.

Let us now summarize our discussion. It would appear that Canada will remain for many years a country where independent stores should do the largest volume of business. But if the independent is to maintain his position, he must learn to exploit his competitors' weaknesses and turn them to his advantage.

In the case of chain stores, these weaknesses are poor human relations, inflexibility of operation, narrow selection of merchandise and large fixed overhead costs.

Next, we discussed the advisability of independents adopting the chains' strengths and then adapting them to his own operation. We pointed out such chain store strengths as their ability to know what is happening in their stores, to plan and then to maintain the discipline necessary to carry out their plans, their location to customer principle, their techniques of specializing and creating a unique chain store personality; and finally, the tremendous advantages created by their huge resources.

We then pointed out how all these strengths can be adopted by the independent and adapted to his own store.

In view of all this, I see no reason why an independent should worry about chains, department stores, or even his own small neighbours. Actually, if the independent retailer operates properly, his only worries should be what to do with all the money his shop is capable of earning.

Thank you very much.

The Advertising and Sales Club of Kingston
April 21st, 1966